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County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
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June 10, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

COST AVOIDANCE ANALYSIS OF THE HOMELESS PREVENTION INITIATIVE

On January 8, 2008, your Board instructed the Chief Executive Officer (CEO) "to work in coordination with the Director of Health Services, the Sheriff and other appropriate Departments to develop a clear methodology and formula for determining precisely how excessive costs to the County for providing health care and other social services to the homeless via the jails and emergency rooms could be avoided by implementing the programs established by the Homeless Prevention Initiative, and how savings to the County could be identified; and report back to the Board with the information prior to the Fiscal Year 2008-09 Budget Deliberations."

In response to your motion, the Research and Evaluation Services (RES) unit within the CEO's Service Integration Branch (SIB) has now developed the requested cost savings methodology and written a report providing an analysis of the Department of Public Social Services' (DPSS) General Relief Housing Subsidy and Case Management Project, which is one of the Homeless Prevention Initiative's (HPI) component programs and has an annual cost of \$4.2 million (see Attachment I). The methodology developed in the report, which can additionally be deployed to generate cost savings estimates for other HPI programs, shows that the General Relief (GR) Housing Subsidy and Case Management Project can be expected to save the County between \$5.4 million and \$10.3 million over a period of five years. These savings estimates were arrived at by looking at a sample of participants in the program and linking their administrative records from the Departments of Health Services (DHS), Public Health (DPH), Mental Health (DMH), and the Sheriff, and then projecting outward five years. The analysis compared the projected costs of providing services to program participants with and without the GR Housing Subsidy and Case Management Project in place.

The savings estimates projected in the report rely on assumptions borrowed from other analyses of service cost savings generated through investment in programs for homeless persons. Several reviewers both inside and outside the County, including scholars with expertise in the area of calculating cost offsets, as well as reviewers from DPSS, DHS, and DPH, have reviewed this methodology. RES has incorporated their feedback in preparing the final version of the report. The projected savings estimates are somewhat conservative as they do not account for savings that will accrue if some of the GR recipients are successfully placed on Supplemental Security Income. The RES plans to perform similar cost avoidance studies for five additional HPI programs, but did not have data on hand to perform those analyses in the allotted time frame. As soon as the data, which require multi-departmental matching, become available the analyses will be performed. The five other programs are:

1. Emergency Assistance to Prevent Eviction for CalWORKs and Non-Welfare-to-Work Homeless Families, administered by DPSS;
2. Homeless Recuperative Care Beds, administered by DHS;
3. Skid Row Families Demonstration Project, administered by Department of Children and Family Services;
4. Access to Housing for Health (AHH), administered by DHS; and
5. Project 50, administered by DPH and the CEO.

After all these analyses are completed, we will have a better idea of the magnitude of the cost avoidance savings due to the HPI. Each of the HPI programs are different in scope and in populations served (e.g., families, individuals, persons being discharged from healthcare or jail facilities, etc.); it is difficult to estimate at this stage of the HPI implementation whether all programs will achieve the same annual \$1 million to \$2 million cost avoidance savings that the GR Housing Rental Subsidy and Case Management Program is likely to achieve.

If you have any questions, please give me a call, or your staff may call Miguel Santana at 213-974-4530.

WTF:MS
KH:CSS:MM

Attachment

**County of Los Angeles
Chief Executive Office
Service Integration Branch**



**Examining the Cost Effectiveness of Los Angeles County's
Homeless Prevention Initiative:**

**The Case of the General Relief Housing Subsidy and
Case Management Pilot Project**

Manuel H. Moreno, Ph.D

Halil Toros, Ph.D

Max Stevens, Ph.D

June 2008

**County of Los Angeles
Chief Executive Office
Service Integration Branch**

Board of Supervisors

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Supervisor, Second District**

**Gloria Molina
Supervisor, First District**

**Don Knabe
Supervisor, Fourth District**



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Supervisor, Fifth District**

**William T Fujioka
Chief Executive Officer**

**Miguel Santana, Deputy Chief Executive Officer
Kathy House, Interim Senior Manager
Constance S. Sullivan, Manager
Manuel H. Moreno, Research Director**

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Executive Summary

Study Purpose and Authority

Background

This study was conducted to comply with a motion the Board of Supervisors passed in January of 2008 directing the Chief Executive Office (CEO) to devise a methodology to assess the potential cost savings that would be created through ongoing funding of programs falling under Los Angeles County's Homeless Prevention Initiative (HPI). The Research and Evaluation Services (RES) unit within the CEO has now developed this methodology and applied it to an analysis of the Department of Public Social Services' (DPSS) General Relief (GR) Housing Subsidy and Case Management Project, which is one of the HPI's component programs and has a total annual cost of \$4.2 million.¹ While a fully inclusive projection of the HPI's cost savings benefits will require RES to apply its methodology to the Initiative's other programs as well, the present brief provides some baseline knowledge as to the cost offsets the County could expect to enjoy in continuing to make strategic and proactive investments in programs for the homeless over the next five years.

The Homeless Prevention Initiative

In response to results reported in the Los Angeles Homeless Services Authority Homeless Count, which showed that there are roughly 74,000 homeless people in Los Angeles County on any given day, the Board approved an investment of \$100 million in the HPI on August 6, 2006. The HPI thus represents a major public policy change and a significant commitment by the Board to reduce homelessness in Los Angeles County. The HPI consists of 11 key programs, one of which is the GR Housing Subsidy and Case Management Pilot Project.

The General Relief Housing Subsidy and Case Management Pilot Project

The GR Housing Subsidy and Case Management Project was first implemented on July 25, 2006 in order to provide Homeless GR participants with affordable, subsidized housing, intensive case management, and access to health, mental health and public health services. The program currently serves 900 homeless GR participants at any point in time on a 'first come, first serve' basis, providing them with a monthly rental subsidy of up to \$300 to be used in combination with \$136 from their GR grants (or \$115 for shared housing situations). The project additionally provides them with

¹ The Research and Evaluation Services (RES) unit within the CEO's Service Integration Branch (SIB) conducts policy and evaluation research for County Departments. Drawing on a wide range of evaluation research methods, RES evaluates County programs, patterns of utilization, and program impacts and outcomes to assess their efficiency and effectiveness. RES conducts its evaluation research in accordance with guidelines set forth by the American Evaluation Association and the Government Accountability Office (GAO).

move-in assistance funds and access to supportive services for mental health and substance abuse issues. As participants leave the program, new participants can fill available slots.

The Major Finding Presented in This Report

This report demonstrates that, given a number of necessary assumptions, including a time frame of five years, *the GR Housing Subsidy and Case Management Project can be expected to save the County a cumulative total of between \$5.4 million and \$10.3 million in cost offsets by 2012.*

Additional Highlights

- Over the period from 2005 to 2007, the cost of providing health, mental health, public health and incarceration services to a random sample of GR participants increased by an overall total of 46 percent. This is the increase that took place without the GR Housing Subsidy and Case Management Project in place.
- The number of GR participants receiving services over the period between 2005 and 2007 increased by 37 percent in the area of health services, 67 percent in the area of mental health services, 59 percent in the area of public health services, and 5 percent in the area of incarceration services. These are increases that took place without the GR Housing Subsidy and Case Management Project in place.
- Projecting over the five-year period from 2008 to 2012, the overall cost for providing health, mental health, public health and incarceration services to homeless GR participants can be expected to increase by 62 percent if the GR Housing Subsidy and Case Management Project is not in place.
- With the GR Housing Subsidy and Case Management Project in place over a period of five years, the cost for providing homeless GR participants with health, mental health, public health and incarceration services could be expected to drop between 48 and 64 percent.

The Financial Benefits of Strategic Spending in the Area of Homelessness

The General Relief Housing Subsidy and Case Management Project is expected to create cost savings for the County of Los Angeles over the next five years. Although the projections presented in this brief represent savings for only one of the County's numerous HPI programs, the CEO believes that the estimates given in this brief provide an indication of the magnitude of cost savings that can be created through continued strategic spending in the area of homelessness. The methodology deployed in this brief can provide the framework necessary for a more precise determination of the cost-effectiveness of each HPI program.

Examining the Cost Effectiveness of Los Angeles County's Homeless Prevention Initiative:

The Case of the General Relief Housing Subsidy and Case Management Pilot Project¹

Introduction

This report has been prepared in response to a Board motion, introduced by Supervisor Knabe and passed on January 8, 2008, directing the Chief Executive Office (CEO) to develop a methodology for the assessment of the service cost savings that would be created through ongoing funding of programs falling under Los Angeles County's Homeless Prevention Initiative (HPI). The Research and Evaluation Services unit (RES) within the CEO has now devised the requested methodology and applied it to an analysis of the Department of Public Social Services' (DPSS) General Relief (GR) Housing Subsidy and Case Management Project, which is one of the HPI's component programs and has a total annual cost of \$4.2 million. A complete projection of the cost savings the County could expect to enjoy, given continued funding of the HPI programs, will require RES' methodology to be further applied to the Initiative's other programs. However, in examining the cost savings the County could expect to enjoy over the next five years relative to the service outlays that would have to be made if the GR Housing Subsidy and Case Management Project were not in place, the present report provides some initial information pointing to the financial benefits of continuing to invest in HPI programs. In short, given a number of necessary assumptions, the Housing Subsidy Project can be expected to save the County between \$5.4 million and \$10.3 million over five years.

The Homeless Prevention Initiative

In response to results presented in the Los Angeles Homeless Services Authority Homeless Count, which showed that there are roughly 74,000 homeless people in Los Angeles County on any given day, the Board approved an investment of \$100 million in the HPI on August 6, 2006. The HPI consists of 11 key programs, including DPSS' GR Housing Subsidy and Case Management pilot project. Each of these programs has been implemented by the CEO in collaboration with the Community Development Commission (CDC), the Departments of Children and Family Services (DCFS), Health Services (DHS), Mental Health (DMH), Probation, Public Health (DPH), Public Social Services (DPSS), the Sheriff, the Public Defender, and private partners.

Overview of the General Relief Housing Subsidy and Case Management Project

DPSS first implemented the GR Housing Subsidy and Case Management Project on July 25, 2006. This pilot program, which is modeled after San Francisco's Care Not Cash Program for single homeless adults, is voluntary and currently serves

900 homeless GR participants at any point in time on a 'first come, first serve' basis, providing them with a monthly rental subsidy of up to \$300, move-in assistance, including funds for security deposit, last month's rent, utility deposits, moving expenses and storage fees, as well as intensive case management and access to vital supportive services for health, mental health and substance abuse issues.² The 900 pilot project participants are a subset of the approximately 64,302 participants that were in the GR program as of March 2008.³

As pilot slots become available, DPSS Eligibility Intake Staff identify GR applicants who (a) are interested in participating in the GR Housing Subsidy and Case Management Project, and (b) fall into one of three categories: 1) Employable applicants who are able to work – i.e. able to participate in the General Relief Opportunities for Work (GROW) program. 2) Applicants eligible for Supplemental Security Income (SSI) benefits. 3) Chronically homeless applicants. Each category has 300 slots available, and as participants leave the program, new participants can fill available slots. Once identified and categorized as potentially eligible for the GR Housing Subsidy and Case Management Project, applicants are referred to DPSS General Relief Homeless Case Managers (GRHCMs), who interview the applicants, provide them with vouchers for temporary emergency housing and begin the process of helping the applicants secure affordable housing while their pilot project application is pending approval.

GRHCMs work with contracted Housing Locator consultants in attempting to find affordable housing for pilot participants. The GRHCMs also provide participants with intensive case management, which includes connecting participants with needed supportive services available through DMH, DHS and DPH, assessing participants' education, previous work history, and life skills, working to authorize needed transportation allowances and, once affordable housing is located, assisting pilot project participants in completing the necessary rental agreement paperwork.

The rental subsidy provided through the GR Housing Subsidy and Case Management Pilot Project is to be used in combination with the portion of the participant's GR grant attributable to rental costs - \$136 for a single occupancy housing situation and \$115 for a shared housing situation. This portion of the grant, along with the rental subsidy, is paid directly to the landlord. In piloting this program, DPSS is attempting to evaluate whether the combination of rental subsidies, intensive case management, and heightened access to social services will reduce homelessness while bolstering favorable outcomes such as employment and receipt of SSI benefits.

Scope and Methodology

In examining the HPI's General Relief Housing Subsidy and Case Management Project, RES looked at 371 randomly selected participants who entered the program during the second half of 2007. In order to capture the service utilization profiles of these participants, the selected sample was matched against the service databases of the Department of Health Services (DHS), the Department of Mental Health (DMH), the Department of Public Health (DPH), and the Sheriff. The data match was conducted

using technology and procedures RES has deployed for its Adult Linkages Project (ALP). The ALP de-identifies and links the administrative records for GR participants receiving services from eight County Departments in an effort to provide systematic information on patterns of service utilization across departments and the costs associated with the services these participants use.⁴

Service costs, assuming the absence of the General Relief Housing Subsidy and Case Management Project, were projected into the next five years (2008 to 2012). These projections are based on the rate of change for these service costs for these participants that prevailed between 2005 and 2007. These costs were compared with projected service costs that would be incurred with the General Relief Housing Subsidy and Case Management Project in place for the same five-year period.

Please note that in preparing this brief RES was not able to include in the analysis benefits for which participants would be eligible if they qualify for SSI. This is important to note because if certain categories of participants qualify for SSI they receive at least limited Medi-Cal coverage, in which case unreimbursed DHS costs would be reduced and there would be Medi-Cal revenue for the County retroactive to the date of the SSI application. For example, if participants receiving outpatient services qualify for SSI, they would receive full Medi-Cal coverage. Moreover, to the extent that GR rental subsidy participants qualify for SSI, secure employment or otherwise exit GR, the subsidy program would also result in GR grant savings, including Interim Assistance Reimbursement for participants approved for SSI. For these reasons, the analysis offered here may provide an underestimation of the savings the GR Housing Subsidy and Case Management project would create. RES is currently at work on a separate outcomes evaluation of the project that will look specifically at the relationship between participation in the project and outcomes such as employment, earnings and gaining eligibility for SSI benefits.

Making Extrapolations Based on Similar Studies

Optimal predictive results for the type of cost avoidance study elucidated in this report are achieved when the analysts have access to data for service costs prior to and after implementation of the program in question. In the absence of such data, however, cost savings for particular service group types can be extrapolated based on information provided in other, comparable cost avoidance studies. In the discussion that follows, for example, RES applies cost savings factors provided in a 2002 study by Culhane, Metraux and Hadley on the service cost savings created through public investment in supportive housing for homeless persons with severe mental disabilities in New York during the 1990s.⁵ However, using factors provided in other studies can only generate approximations, and the results derived in this manner should be interpreted with caution.

Service Costs in the Absence of the Housing Subsidy Program

Table 1 and Table 2 show service costs and service receipt respectively, assuming the absence of the GR Housing Subsidy and Case Management Project, for DHS, DMH, DPH and the Sheriff. These are the costs for providing services to the 371 persons in RES' sample. Figures for the first quarters of 2005 and 2007 are used.⁶ The percent changes between the two quarters are also shown. Health services include all costs incurred in County hospitals and health clinics for inpatient, outpatient and Emergency Room visits. Mental health services include inpatient and outpatient visits. Public health services include detoxification, residential services and outpatient counseling. Finally, incarceration costs include booking, maintenance and medical service costs.

Table 1 - Service Utilization Costs before the Implementation of the General Relief and Housing Subsidy and Case Management (GRHSCM) Project, 2005 and 2007

Service	Total Costs-2005 First Quarter	Total Costs-2007 First Quarter	Percent Change
Health Services	\$142,000*	\$248,000	75%
Mental Health Services	\$35,000	\$64,000	84%
Public Health Services	\$57,000	\$82,000	45%
Incarceration	\$303,000	\$391,000	29%
Total	\$537,000	\$785,000	46%

* Third Quarter 2005

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

Table 1 shows that health, mental health and public health costs increased significantly between 2005 and 2007. Incarceration costs tend to be the highest of all the services examined, but they also tend to increase over time at smaller rate. Total costs for all services over the two-year period increased by 46 percent.

Table 2 - Number of Service Users in GRHSCM Project before the Implementation of the Program, 2005 and 2007

Service	Service Users The Total Number-2005 First Quarter	Service -2007 First Quarter	Percent Change
Health Services	126*	172	37%
Mental Health Services	54	90	67%
Public Health Services	37	59	59%
Incarceration	84	88	5%

*Third Quarter 2005

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

Table 2 shows the number of participants in the 371 person sample who received services prior to the implementation of the program, between the first quarter of 2005 and the first quarter of 2007. It should be noted that while the number of incarcerated persons increased by 5 percent over the two-year period, the number of persons receiving health, mental health and public health services increased more significantly.

Cost Increases

Cost increases can occur due to increases in the unit costs for services or due to an increase in the number of persons requiring the services. In looking at incarceration costs, RES assumed that cost increases between 2008 and 2012 would occur due to higher unit costs incurred by the same number of people (most likely due to higher costs for medical and jail services). The annual cost increase for incarceration services is estimated to be 10 percent over the same five-year period. The total costs of health, mental health, and public health services are projected to increase over this period due to a higher share of the population needing services. However, since the group size is fixed the number of people receiving these services would increase at a diminishing rate. RES assumes that the demand for health services (which had previously almost increased by 75 percent in two years), mental health services and public health services would have increased by five percent annually during the following five years. It should be noted that this is a relatively conservative assumption that will generate equally conservative projections.

Table 3 projects increases in the number of program participants that will receive health, mental health, public health and incarceration services over the five-year period between 2008 and 2012. It is crucial to reemphasize that these projections are made with the assumption that the General Relief Housing Subsidy and Case Management Project would not be in place. If the number of participants receiving these County services is assumed to increase by five percent annually, the projected size of this population would still be lower by the end of the fifth year than the number of participants who received those services at least once during the period between 2005 and 2007. The match rate for the 2005 to 2007 period is also shown in the table in order to illustrate the percentage of participants receiving these services at least once. Even in the absence of the General Relief Housing Subsidy and Case Management Project, then, RES would expect the number of projected service receivers between 2008 and 2012 to be below the total number of service receivers between 2005 and 2007.

Table 3 - Projected Quarterly Number of GRHSCM Project Service Users, 2008 to 2012

Service	2005-2007	2007	2008	2009	2010	2011	2012	Match Rate
Health	256	172	181	190	199	209	220	69%
Mental Health	125	90	95	99	104	109	115	34%
Public Health	108	59	62	65	68	72	75	29%
Incarceration	214	88	88	88	88	88	88	58%

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

It is assumed here that unit costs for health, mental health and public health services will increase annually by 5 percent between 2008 and 2012. This is based on the Bureau of Labor Statistics' U.S. City Average Medical Services Cost Increases figures.⁷ Table 4 shows the projected cost for all four services considered here, as well as the total projected costs over the next five years. These costs are annualized and derived

by applying the annual rate of cost increases discussed above.⁸ The total cost for all four services is projected to increase by 62 percent over the next five years in the absence of the General Relief Housing Subsidy program.

Table 4 – Projected Annual Service Costs for 2008-2012 in the absence of the GRHSCM Project

Service	2007	2008	2009	2010	2011	2012
Health	\$992,000	\$1,093,680	\$1,205,782	\$1,329,375	\$1,465,636	\$1,615,863
Mental Health	\$256,000	\$282,240	\$311,170	\$343,064	\$378,229	\$416,997
Public Health	\$328,000	\$361,620	\$398,686	\$439,551	\$484,605	\$534,277
Incarceration	\$1,564,000	\$1,720,400	\$1,892,440	\$2,081,684	\$2,289,852	\$2,518,838
Total Costs	\$3,140,000	\$3,457,940	\$3,808,078	\$4,193,675	\$4,618,322	\$5,085,976

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

Costs Associated with the GR Housing Subsidy and Case Management Project

As noted earlier, there is currently no cost savings data available for the HPI's General Relief Housing Subsidy and Case Management Project. For this reason, RES attempted to generate some provisional cost savings figures by making extrapolations based on information offered in a 2002 study by Culhane, Metraux and Hadley analyzing public investment in the New York/New York housing program, which provided supportive housing for homeless persons with severe mental disabilities in New York during the 1990s.⁹ Culhane et al. employed a quasi-experimental design consisting of experimental and a control groups to report that homeless individuals who received supportive services achieved significant declines in shelter use, hospitalizations, lengths of stay per hospitalization, and time incarcerated. The authors reported that investing in supportive housing for homeless persons with severe mental disabilities resulted in a decrease in service costs of \$16,282 per housing unit per year.

Insofar as RES' estimates are based on research using samples of formerly homeless persons who have been housed in another jurisdiction, caution should be exercised in interpreting the results for Los Angeles County. The comparability of the New York/New York program and Los Angeles County's General Relief Housing Subsidy and Case Management Pilot Project is imperfect.

In applying the cost savings factors reported in the New York study to model cost savings projections for Los Angeles, RES opted for using rate of service changes adjusted by the cases in the control group. Thus the cost decline proportions adapted from the New York study are more reliable because they best reflect what would have occurred in New York in the absence of a program intervention. The costs savings simulations presented in this report in Scenarios 1 and 2 were prepared assuming a more conservative decline than the services cost declines reported in the Culhane et al. study.

Furthermore, two of the three sub-groups comprising the 900 revolving slots in the Los Angeles County Project – namely, chronically homeless GR participants and

participants eligible for SSI benefits – are comparable to the types of participants served by the New York/New York program. This overlap between the populations served by each program provides a provisional basis for using the cost savings factors presented in the Culhane et al. study.

Two Scenarios

Insofar as the population studied by Culhane et al. was situated at a different time and in a different locality than the population considered here, RES simulated two scenarios in order to make the necessary extrapolations. The first scenario (Scenario 1) closely adopts the New York study and assumes that mental health and public health services would drop by 25 percent during the first two years after implementation of the GR Housing Subsidy and Case Management Project, and then drop by 15 percent over the next three years (after adjusting for a 5 percent inflation rate for medical services). Health service costs were assumed to drop by 12 percent every year and incarceration costs were assumed here to drop by 30 percent in the first two years and then by 20 percent annually thereafter. RES further assumed that returns from service reductions will diminish over time so that costs are reduced at a smaller rate as time progresses. Total costs are projected to drop by 54 percent after implementation of the General Relief Housing Subsidy program. The results of Scenario 1 are tabulated in Table 5.

Table 5 – Projected Annual Service Costs for 2008-2012 after Implementation of the GRHSCM Project — Scenario 1

Service	2007	2008	2009	2010	2011	2012
Health	\$992,000	\$872,960	\$768,204	\$676,020	\$594,898	\$523,510
Mental Health	\$256,000	\$192,000	\$144,000	\$122,400	\$104,040	\$88,434
Public Health	\$328,000	\$246,000	\$184,500	\$156,825	\$133,301	\$113,306
Incarceration	\$1,564,000	\$1,094,800	\$766,360	\$613,088	\$490,470	\$392,376
Total Costs	\$3,140,000	\$2,405,760	\$1,863,065	\$1,568,333	\$1,322,709	\$1,117,626

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

The second scenario (Scenario 2) is more conservative and assumes that mental health and public health services will drop by 15 percent during the first two years and then drop by 10 percent annually during the next three years (after adjusting for a 5 percent annual inflation rate for medical services). Health service costs were assumed to drop by 10 percent every year, and incarceration costs were assumed to drop by 20 percent in the first two years, and then by 10 percent annually thereafter. Total costs for the population in question under Scenario 2 are projected to drop by 39 percent over the five years after implementation of the General Relief Housing Subsidy program. The results of this second scenario are tabulated in Table 6.

Table 6 – Projected Annual Service Costs for 2008-2012 after the Implementation of the GRHSCM Project — Scenario 2

Service	2007	2008	2009	2010	2011	2012
Health	\$992,000	\$892,800	\$803,520	\$723,168	\$650,851	\$585,766
Mental Health	\$256,000	\$217,600	\$184,960	\$166,464	\$149,818	\$134,836
Public Health	\$328,000	\$278,800	\$236,980	\$213,282	\$191,954	\$172,758
Incarceration	\$1,564,000	\$1,251,200	\$1,000,960	\$900,864	\$810,778	\$729,700
Total Costs	\$3,140,000	\$2,640,400	\$2,226,420	\$2,003,778	\$1,803,400	\$1,623,060

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

Cost Savings Created with the Housing Subsidy Program

The total annual cost for the General Relief Housing Subsidy and Case Management Project is \$4.2 million. This yields an annual per-person cost of \$4,667. Therefore, since RES studied a total of 371 participants, service costs for the entire sample would be \$1,731,333.

The next step in the analysis of cost savings is to add these annual numbers to the totals for each scenario (tabulated in Table 5 and Table 6), and then compare the sums to the projected annual service costs that would be incurred over five years in the absence of the General Relief Housing Subsidy program (tabulated in Table 4). The results of this comparison are tabulated in Table 7.

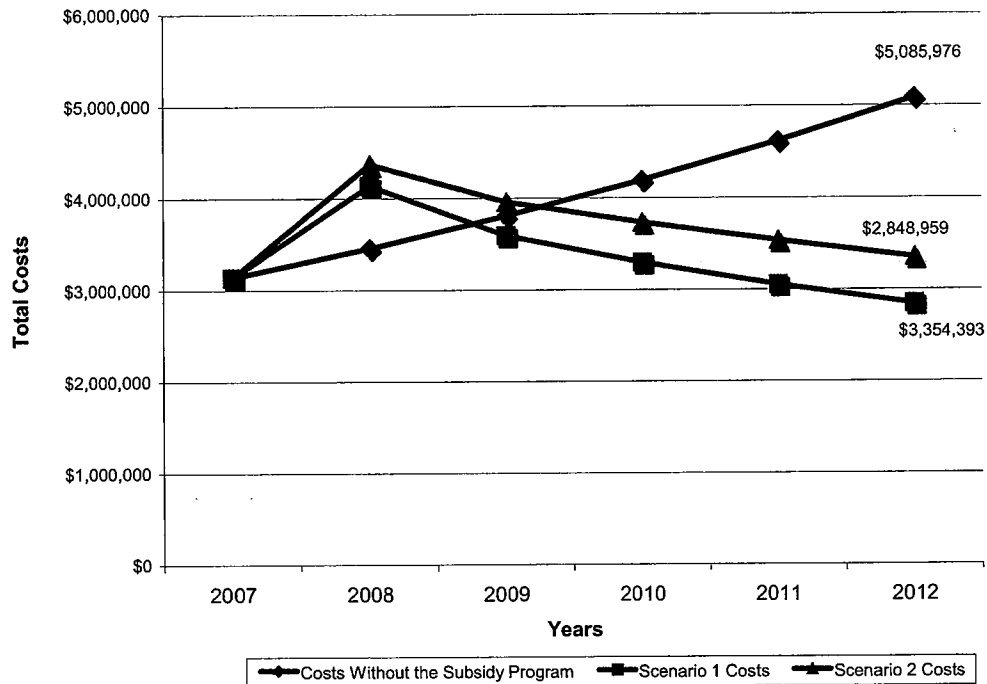
Table 7 – Projected Annual Service Cost Savings for 2008-2012 after the Implementation of the Housing Subsidy Program

	2007	2008	2009	2010	2011	2012
Costs, no subsidy program in place	\$3,140,000	\$3,457,940	\$3,808,078	\$4,193,675	\$4,618,322	\$5,085,976
Costs, Scenario 1	\$3,140,000	\$4,137,093	\$3,594,398	\$3,299,666	\$3,054,042	\$2,848,959
Costs, Scenario 2	\$3,140,000	\$4,371,733	\$3,957,753	\$3,735,111	\$3,534,733	\$3,354,393
Cost Savings, Scenario 1	\$0	-\$679,153	\$213,680	\$894,009	\$1,564,280	\$2,237,016
Cost Savings, Scenario 2	\$0	-\$913,793	-\$149,675	\$458,564	\$1,083,589	\$1,731,582

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

The figures provided in Table 7 indicate that, for both scenarios considered earlier, net savings would be generated over time that could be reinvested in the General Relief Housing Subsidy and Case Management Project. By the third year, the project would save between \$460,000 and \$895,000 in costs for the 371 participants in the sample, and these savings would reach between \$1.7 million and \$2.2 million by the fifth year, depending on which scenario is considered. Figure 1 shows the break-even points for each scenario with a time plot of the numbers given in Table 7.

Figure 1. Projected Annual Service Costs of the GRHSCM Project, 2008 - 2012



Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

If the total figures in Table 7 are divided by 371, the per-person annual service costs in the absence of the GR Housing Subsidy and Case Management Project, as shown in Table 8, are projected to increase from \$8,500 in 2007 to \$13,700 by 2012. On the other hand, service and program costs per person would be between \$7,700 and \$9,000 with the subsidy project in place. Costs per person and cost offsets per person are shown in Table 8, which indicates that cost offsets per person that are negative in the first year reach between \$4,700 and \$6,000 by the fifth year.

Table 8 – Projected Annual Service Cost per Person and Cost Offsets per Persons for 2008-2012 after Implementation of the GRHSCM Project

	2007	2008	2009	2010	2011	2012
Costs, no subsidy program in place	\$8,464	\$9,321	\$10,264	\$11,304	\$12,448	\$13,709
Costs, Scenario 1	\$8,464	\$11,151	\$9,688	\$8,894	\$8,232	\$7,679
Costs, Scenario 2	\$8,464	\$11,784	\$10,668	\$10,068	\$9,528	\$9,041
Cost Savings/ Person, Scenario 1	\$0	-\$1,831	\$576	\$2,410	\$4,216	\$6,030
Cost Savings/ Person, Scenario 2	\$0	-\$2,463	\$403	\$1,236	\$2,921	\$4,667

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

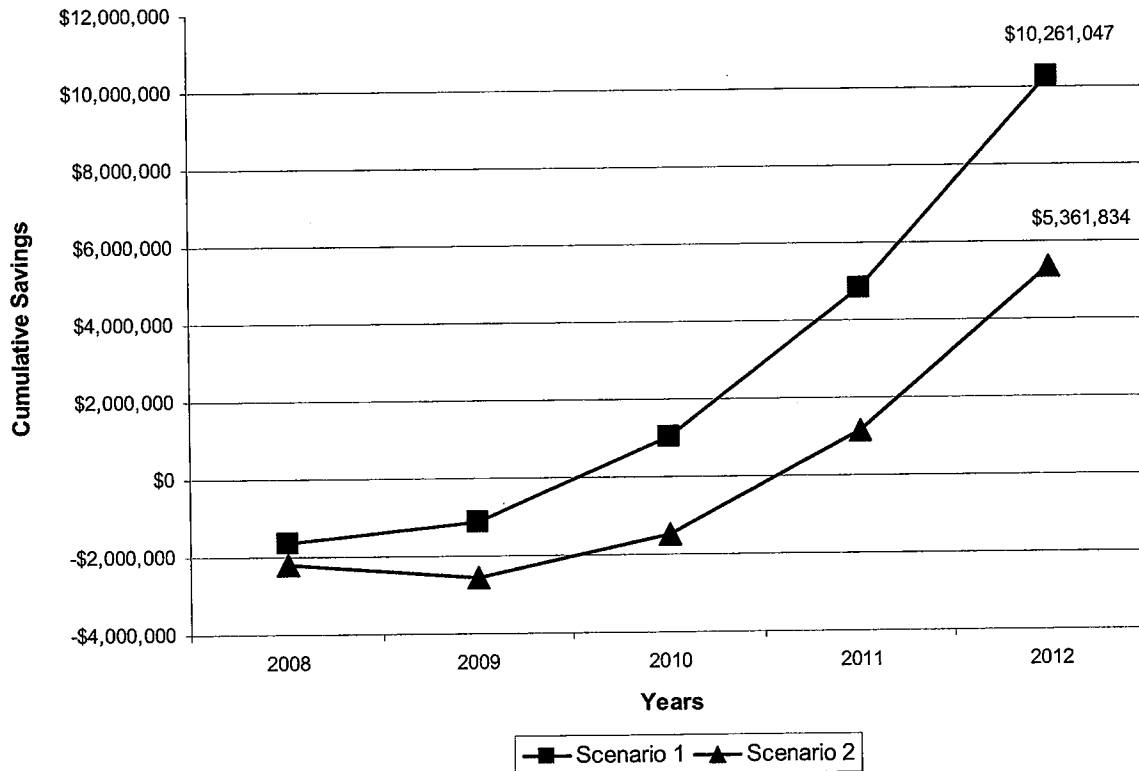
Table 9 and Figure 2 indicate that these savings would, in turn, generate significant *cumulative* savings, shown assuming a revolving population size of 900, which is the total number of slots in the program.

Table 9 – Projected Cumulative Savings for 900 GRHSCM Project Participants for Scenario 1 and Scenario 2 over 5 Years

	2008	2009	2010	2011	2012
Cumulative Cost Savings—Scenario 1	-\$1,647,541	-\$1,129,180	\$1,039,574	\$4,834,323	\$10,261,047
Cumulative Cost Savings—Scenario 2	-\$2,216,749	-\$2,579,842	-\$1,467,423	\$1,161,229	\$5,361,834

Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

Figure 2. Projected Cumulative Savings, 2008-2012, after the Implementation of the GRHSCM Project



Source: Research and Evaluation Services analysis based on Adult Linkages Project data.

The numbers given in Table 9 and Figure 2 indicate that, for revolving population of 900 persons over 5 years the cumulative savings created with the General Relief Housing Subsidy and Case Management Project in place would be between \$5.4 million and \$10.3 million.

Conclusion

This report has been written to comply with the Board's request for the development of a methodology to assess the cost savings that would be created through continued funding of the County's HPI programs. RES' findings make a provisional case for the financially beneficial consequences of spending strategically in the area of homelessness. While the report applies its methodology to provide estimates as to the savings the GR Housing Subsidy and Case Management Project would generate over a five-year period, the methodology can additionally be applied to other programs falling under the HPI and serve as the framework for estimating their cost effectiveness.

APPENDIX A

Calculation of Service Costs

Department of Mental Health (DMH)

Administrative records for mental health services include service costs for each person in the database. All mental health costs are calculated by adding together service cost numbers for each program participant by month and year of service.

Department of Health Services (DHS)

Administrative records for health services do not include service-level costs. However, DHS provided a table showing daily costs by fiscal year, facility and service type for outpatient, inpatient and emergency services. Costs are calculated based on these tables and multiplying unit costs by facility, service type and fiscal year to generate total costs per program participant by month and year of service. RES also deleted records with suspected errors (inpatient and emergency room visits with long durations) and converted all outpatient records to a one-day service length.

Department of Public Health (DPH)

Administrative records for public health services do not include service-level costs. DPH provided total costs for GR participants by fiscal year and service type. In order to calculate average costs by service type per person per day, RES estimated the average length of services for each service type by each fiscal year. Average service lengths were multiplied by the total number of clients by service type to estimate total days of services for each service type. Finally, RES calculated the daily average costs by dividing total costs by total days of services.

Department of the Sheriff

Administrative records from the Sheriff Department for incarceration related services do not include service-level costs. The Sheriff provided a table of daily costs for booking, maintenance and medical services by fiscal year. The Sheriff also provided facility/module codes to identify mental and medical services. RES applied booking costs for each booking and applied medical costs if the module was medically related. Regular maintenance costs were applied if the module was not medically related.

APPENDIX B



County of Los Angeles Department of Public Social Services

Philip L. Browning
Director

GENERAL RELIEF (GR) HOUSING SUBSIDY AND CASE MANAGEMENT PROJECT FACT SHEET

The GR Housing Subsidy and Case Management Project is designed to assist individuals who have been homeless and was modeled after San Francisco's "Care Not Cash" program, as well as DPSS services for CalWORKs (CW) homeless families. The objective of the Project is to test whether assisting the homeless GR population with a rent subsidy and coordinating access to other necessary supportive services reduces homelessness, increases employment, and/or increases receipt of Supplemental Security Income (SSI) benefits. Implementation of the Housing Subsidy and Case Management Project was effective July 25, 2006.

The Project will serve a total of 900 GR applicants/participants on a "first come, first serve" basis. A maximum of 300 Project participants will be categorized for each of the following three populations:

1) Employable GROW participants; 2) GR participants who are potentially eligible for SSI benefits; and 3) the chronically homeless. As participants disengage from the Project, new Project participants may repopulate available slots. Project participants may be assigned a slot up to a **maximum of three occurrences**.

PARTICIPANT PROJECT GUIDELINES

- Participation in the Project is voluntary.
- The Project participant's portion of the GR grant attributable to rent (\$136) will convert to a Direct Rent process, paid directly to the landlord.
- For a shared housing situation, the Project participant's portion of the GR grant attributable to rent (\$115) will convert to a Direct Rent process, paid directly to the landlord.
- Rent subsidies of up to \$300/month will be paid directly to the landlord, via vendor mail.
- Each GR Housing Case Manager (GRHCM) will oversee approximately 75 Project participant slots (25 slots from each of the three targeted Project populations).
- Non-cooperation, as described in this fact sheet may disengage the Project participant from the Project; however, such actions may not necessarily terminate the GR case.

Move-In Assistance Funds

Guidelines to assist Project participants with "once-in-a-lifetime" Move-In Assistance Funds to secure permanent housing were developed as an enhancement to the Project. It has been determined that assisting with move-in funds, up to \$500, will enhance the success of the Project by facilitating access to permanent housing for Project participants. Move-in Assistance Funds will include: 1) last month's rent; 2) security deposits; 3) other required move-in costs/deposits (e.g., key deposits, etc.);

Move-In Assistance Funds (Continued)

4) Utility deposits/turn on fees; 5) moving expenses (including truck rental); 6) overdue storage fees at a legitimate storage facility; 7) appliances (i.e., refrigerator and/or stove only), if the rental lacks the appliance; and 8) any required miscellaneous expenses.

The start-up savings associated with the Project's implementation will be utilized to fund requested move-in costs; therefore, this enhancement will not increase the cost of the Project. Implementation was effective February 2007.

Project Expansion to Include Approved GR Participants

The Project's expansion to include approved homeless GR participants was based on the Project's low referral numbers within the first seven months of implementation. As a result, the expansion is expected to generate higher referral numbers to subsequently fill all 900 Project slots. Implementation was effective February 2007.

PROJECT DISTRICTS

Districts selected to implement the Project service the largest populations within each Supervisorial District. The six Project Districts include: 1) Civic Center; 2) Metro Special; 3) Southwest Special; 4) South Special; 5) Rancho Park; and 6) Lancaster.

HOUSING LOCATOR (HL) STAFF

Two dedicated HL staff, contracted by the Weingart Center Association, canvass and develop a monthly database of 200 legitimate commercial housing rental properties (sub-standard housing is not allowed) throughout Los Angeles County to provide to GRHCMs as housing stock for homeless Project participants to rent. In addition, HL staff will develop tools to assist GRHCMs with educating and preparing "hard to rent" Project participants to move into rental housing.

PROJECT EVALUATION

Evaluation of data obtained from Project participants will be conducted periodically throughout the course of the Project. The basis for evaluating Project outcomes and corresponding data will determine the relationship between: 1) housing and securing/maintaining employment; 2) housing and maintaining medical and/or mental treatment services to obtain higher public assistance benefits (e.g., SSI benefits, etc.); and 3) housing and the treatment/supportive services resistant (chronically homeless) population.

FUNDING

The projected cost associated with the provision of a **\$300** monthly rent subsidy for approximately **900 GR participants** is **\$3,240,000 annually**. The projected annual cost for **12 GRHCMs** is **\$612,000**. The total projected annual cost of the Project is **\$4,052,000**. Included in the Project's proposed annual cost is **\$200,000 for the HL staff**.

Endnotes

¹ We would like to thank Dennis Culhane, Professor at the University of Pennsylvania's School of Social Policy and Practice, for providing valuable consultation that helped RES in the preparation of this brief. Gary Blasi, Professor of Law at the University of California, Los Angeles, also deserves special mention for the useful feedback he provided to RES. We would also like to thank Phil Ansell from the Department of Public Social Services, Irene Dyer from the Department of Health Services, Linda Dyer from the Department of Public Health, Donna Quintana from the Department of Public Health, John Horton, Professor of Sociology at the University of California, Los Angeles, and Paul Tepper of the Weingart Center Association. Each offered us useful feedback on earlier versions of this brief.

² The Care not Cash program implemented by San Francisco's Human Services Agency, provides housing and shelter support to indigent adults who participate in the County Adults Assistance Programs (CAAP). CAAP covers the following programs: (1) General Assistance; (2) Personal Assisted Employment program; (3) Cash Assistance Linked to Medi-Cal program, and (4) Supplemental Security Income Pending program. The population enrolled in the Care not Cash program is a subset of CAAP and it is comprised of formerly homeless CAAP clients who were placed in the Housing First Program SRO units, and Homeless CAAP clients. (See: Human Services Agency, *Care not Cash is Achieving its Goals*. City and County of San Francisco, Office of the Controller, City Services Auditor, April 30, 2008).

³ DPSS' General Relief Program is a mandatory, County-funded program that provides temporary cash aid of last resort to indigent adults and certain sponsored legal immigrant families who are not eligible for other State or federal programs.

⁴ The eight departments having their administrative records for GR participants linked for the Adult Linkages Project are the Departments of Public Social Services (DPSS), Health Services (DHS), Mental Health (DMH), Children and Family Services (DCFS), Public Health (DPH), Community and Senior Services (CSS), Probation and the Sheriff.

⁵ Culhane, Dennis P., Stephen Metraux and Tevor Hadley. *Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing*. In *Housing Policy Debate*, Volume 13, Issue 1. Fannie Mae Foundation, 2002.

⁶ DHS cost data for the first quarter of 2005 was incomplete at the time RES was compiling data for this study. For this reason, the 2005 cost figures for DHS provided in Table 1 are for the third quarter of 2005.

⁷ U.S. Department of Labor, Bureau of Labor Statistics. *Consumer Price Indexes*.

⁸ For example, for 2008 the cost for mental health services is calculated as follows:

Quarterly total costs in 2007 (\$64,000) is divided by the number of service receivers during that quarter (90) to derive the unit cost of \$711. Then, in 2008, the unit costs are increased by 5% to \$747. Then the 2008 unit costs are multiplied by the 95 persons shown in Table 3 for 2008 projected demand. Then the computed 2008 quarterly costs (\$70,560) are multiplied by 4 to get the \$282,240 shown in Table 4.

⁹ Culhane, Dennis P., Stephen Metraux and Tevor Hadley. *Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing*. In *Housing Policy Debate*, Volume 13, Issue 1. Fannie Mae Foundation, 2002.



WILLIAM T FUJIOKA
Chief Executive Officer

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County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

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Fifth District

June 19, 2009

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

ADVANCE FINDINGS FROM TWO CHIEF EXECUTIVE OFFICE STUDIES OF THE GENERAL RELIEF PROGRAM

The Chief Executive Office (CEO) and the Department of Public Social Services (DPSS) have completed their joint Adult Linkages Project (ALP). The ALP has developed and deployed a set of data integration procedures that make it possible for administrative records from multiple County departments to be shared and integrated in a common database. The CEO's Research and Evaluation Services unit used the ALP data integration system in preparing two studies of participants in DPSS' General Relief (GR) Program.

The first study is the analytical report for the ALP, which looks at the characteristics of the GR population, its patterns of service utilization across multiple County departments, and the costs involved in providing GR recipients with health, mental health, public health, and Sheriff-related services. Specifically, the ALP studied two cohorts of GR participants: First cohort includes almost 8,000 persons who are first-time GR participants. The second cohort includes almost 5,000 participants who are long-term GR participants. All of the following data is based only on the costs for services to these two cohorts; the full cost of services for GR participants across County departments is much greater.

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Each Supervisor
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The second study is an evaluation of outcomes for GR recipients who participated in the GR Housing Subsidy and Case Management Pilot Project between September 2006 and December 2008. This evaluation examines whether participation in the pilot improved outcomes for GR recipients in the areas of employment, Social Security Income (SSI) eligibility and housing. The evaluation also provides a cost avoidance analysis that looks at whether participation in the pilot creates service cost savings.

While both reports are scheduled to be submitted to your Board within the next 60 days, the CEO is able to provide advance and provisional findings from both reports. Attached are two fact sheets.

Key Findings: ALP

Nearly one-third of the ALP study population had a disability. Persons with a disability had a rate of service utilization that was more than 50 percent above the average for GR participants, and they incurred a 20-month average of \$20,000 in service costs in departments other than DPSS, which is 67 percent higher than the average of \$12,000 for all GR participants. By comparison, maximum GR grant costs for a 20-month period are \$4,420. Therefore, service costs outside of DPSS are almost five times GR grant costs for disabled GR participants, and almost three times GR grant costs for all GR participants.

- When 1,000 disabled GR recipients are approved for SSI benefits through the GR SSI and Medi-Cal Advocacy Program (SSIMAP), the projected annual service cost savings to the County after one year is more than \$12 million and reaches \$17 million after two years. These savings only reflect health-related services incurred by other County departments, excluding GR program costs.
- Approximately one of every six GR enrollees had a treatment history for a mental illness, and most of those were in diagnoses that could qualify as "severe mental disorders." GR recipients with a psychiatric treatment history were also among the most costly, with average cross-system costs almost twice the GR population average.

Findings from ALP indicate that people who are frequently incarcerated are also among the most costly of the GR recipient pool. For example, almost 8,000 recipients using GR for the first time during the ALP study period incurred \$22.4 million in total jail costs over the period they were observed. Moreover, almost 5,000 recipients who had already used GR prior to the ALP study period incurred almost \$28 million in total jail costs over the observation period.

- Findings from ALP show that health services' costs are very high. While they were in the GR program, 8,000 first-time GR users incurred over \$20 million in health services' costs and this figure was over \$13 million for 5,000 long-term GR-users.

Key Findings: Evaluation of Outcomes for Participation in DPSS' GR Housing Subsidy and Case Management Pilot Project

- The cost of providing mental health, health, public health and Sheriff-related services to participants in the GR Housing Subsidy and Case Management Pilot Project dropped by 45 percent after GR participants entered the pilot and received a rental subsidy. More specifically the *annualized* cost of providing other department services to 900 of these GR recipients was close to \$10 million in the 12 months prior to their entry into the pilot. This cost dropped to \$5.5 million after they entered the pilot.
- Service costs increased for participants after they exited the pilot, but these costs still remained 37 percent below the costs during the 12 months prior to participation in the pilot. That is, while the annualized cost of providing mental health, health, public health and Sheriff-related services to 900 pilot participants was almost \$10 million in the 12 months prior to their entry into the pilot, these costs were just over \$6 million after they exited the pilot.
- The annualized service cost savings for 900 participants in the GR Housing Subsidy and Case Management Pilot Project was approximately \$4 million after the first year and reached \$10.4 million in the second year, after they exited the program.
- When compared with a control group of GR recipients who did not participate in the GR Housing Subsidy and Case Management Pilot Project, those who did participate were roughly two times more likely to find jobs after they entered the pilot.
- Pilot participants were homeless 17 percent of the time after entry into the pilot, as compared with being homeless 63 percent of the time between 2005 and their entry into the pilot.

Each Supervisor
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Implications of the Studies

The findings from the ALP and the evaluation of outcomes associated with participation in the GR Housing Subsidy and Case Management Pilot Project point to opportunities for reforming GR in ways that can substantially mitigate excessive costs. The patterns of service utilization revealed in these studies and, in particular, the successes of programs, such as the SSIMAP Program and the GR Housing Subsidy and Case Management Pilot Project, suggest that alternative programs associated with less costly and more effective types of care should continue to be piloted.

Next Steps

Both the report for the ALP and the evaluation of outcomes associated with participation in the GR Housing Subsidy and Case Management Pilot Project will be submitted to your Board within the next 60 days.

If you have any questions, please let me know or your staff may contact Miguel Santana, Deputy Chief Executive Officer at (213) 974-4530, or via e-mail at msantana@ceo.lacounty.gov.

WTF:MS
KH:MM:am

Attachments (2)

c: Executive Officer, Board of Supervisors
 County Counsel
 Sheriff's Department
 Chief Probation Officer of Probation
 Director of Community and Senior Services
 Director of Children and Family Services
 Director of Health Services
 Director of Mental Health
 Director of Public Health
 Director of Public Social Services

**USING THE ADULT LINKAGES PROJECT
TO ASSESS GENERAL RELIEF RECIPIENTS IN
LOS ANGELES COUNTY: FACTS AND FIGURES, June 2009**

This fact sheet presents some of the most significant findings resulting from an analysis of the Adult Linkages Project (ALP).

**GENERAL RELIEF SOCIAL SECURITY INCOME MEDI-CAL ADVOCACY
PROGRAM (GR SSIMAP) COST SAVINGS**

- When 1,000 disabled GR recipients are approved for SSI benefits through the GR SSIMAP, the projected annual service cost savings to the County after one year is more than \$12 million, and reach \$17 million after two years.

COSTS AND PATTERNS OF SERVICE UTILIZATION

Five sub-populations were identified as having costs that are 50 percent higher than the average for the GR population as a whole:

- *Heavy Users:* This group constitutes 10 percent of the GR population included in the ALP. The heavy users of multiple County services incur costs that are 2.3 times higher than the average cost for GR recipients.
- *The Mentally Ill:* Approximately one of every six GR enrollees had a treatment history for a mental illness, and most of those were in diagnoses that could qualify as "severe mental disorders." GR recipients with a psychiatric treatment history were also among the most costly, with average cross-system costs almost twice the GR population average.
- *The Disabled:* Nearly one-third of the ALP study population had a disability. Persons with a disability had a rate of service utilization that was more than 50 percent above the average for GR participants, and they incurred a 20-month average of \$20,000 in service costs, which is 60 percent higher than the average for GR participants.
- *Long-Term Homeless:* GR recipients in the ALP study population who experience long-term homelessness are a distinct subgroup among the overall population of homeless persons receiving GR benefits. Results from ALP indicate that long-term homeless GR participants incur service costs that are 50 percent higher than the average for the GR population.

- *Frequently Incarcerated:* Findings from the ALP indicate that people who are frequently incarcerated are also among the most costly in the GR recipient pool. For example, recipients using GR for the first time during the ALP study period incurred \$22.4 million in total jail costs over the period they were observed. Moreover, recipients who had already used GR prior to the ALP study period incurred almost \$28 million in total jail costs over the observation period.
- Results from the ALP study show that GR employable participants exit the GR program more quickly and are among the most likely to exit with a job. Similarly, GR recipients with an employment history are also more likely to exit with a job, and to leave more quickly.

**EVALUATION OF OUTCOMES FOR PARTICIPANTS IN
THE GENERAL RELIEF HOUSING SUBSIDY AND
CASE MANAGEMENT PILOT PROJECT: FACTS AND FIGURES, June 2009**

This fact sheet presents some of the most significant findings from an evaluation of the General Relief (GR) Housing Subsidy and Case Management Pilot Project being conducted by the Chief Executive Office.

COST AND SAVINGS OF COUNTY SERVICES FOR GENERAL RELIEF (GR) PARTICIPANTS

- The cost of providing mental health, health, public health and Sheriff-related services to participants in the GR Housing Subsidy and Case Management Pilot Project dropped by 45 percent after GR participants entered the pilot and received a rental subsidy. More specifically, the *annualized* cost of providing these other department services to 900 of these GR recipients was close to \$10 million in the 12 months prior to their entry into the pilot. This cost dropped to \$5.5 million after they entered the pilot.
- Service costs increased for participants after they exited the pilot, but these costs still remained 37 percent below the costs during the 12 months prior to participation in the pilot. That is, while the annualized cost of providing mental health, health, public health and Sheriff services to 900 pilot participants was almost \$10 million in the 12 months prior to their entry into the pilot, these costs were just over \$6 million after they exited the pilot.
- After entering the pilot program, the annual cost of providing health services to pilot participants dropped from \$4.1 million to \$2.2 million.
- After entering the pilot program, the annual cost of providing public health services to pilot participants dropped from \$1.2 million to \$558,000.
- After entering the pilot program, the annual cost of providing Sheriff's services to pilot participants dropped from \$3.4 million to \$1.7 million.

The annualized net service cost savings for 900 participants in the GR Housing Subsidy and Case Management Pilot Project was approximately \$4 million after the first year and reached \$10.4 million in the second year, after they exited the program.

AVERAGE LENGTH OF STAY IN THE PILOT

- The average length of stay for participants in the pilot program was approximately seven months.
- Roughly one-third of the participants in the pilot stayed in the program for three months or less, roughly 30 percent stayed for more than one year, and one-quarter were still in the program by December 2008, which is the end of the study period.

EMPLOYMENT OUTCOMES

- When compared with a control group of employable GR recipients who did not participate in the GR Housing Subsidy and Case Management Pilot Project, those employable participants who did participate were roughly two times more likely to find jobs after they entered the pilot.

HOMELESSNESS PREVENTION OUTCOMES

- Pilot participants were homeless 17 percent of the time after entry into the pilot, as compared with being homeless 63 percent of the time between 2005 and their entry into the pilot.



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

September 9, 2009

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

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TRANSMISSION OF THE COST AVOIDANCE STUDY OF THE GENERAL RELIEF HOUSING SUBSIDY AND CASE MANAGEMENT PILOT PROJECT

With submission to your Board of the attached report, "The General Relief Housing Subsidy and Case Management Pilot Project: An Evaluation of Participant Outcomes and Cost Savings," our Service Integration Branch (SIB) has now completed its study of results generated through participation in the Department of Public Social Services' (DPSS) housing subsidy pilot program for homeless General Relief (GR) recipients. Completion of the report coincides with DPSS' imminent release to the Board of a series of recommended actions for redesigning GR so as to make the program both more responsive to the needs of the County's indigent population and more cost effective. The report recommends Countywide implementation of the piloted housing subsidy program. Likewise, a Countywide roll out of the housing subsidy program will be one of the actions DPSS recommends as part of its efforts to restructure GR.

Background

DPSS implemented the GR Housing Subsidy and Case Management Pilot Project in September 2006. The pilot project is a voluntary program associated with Los Angeles County's Homelessness Prevention Initiative. The rationale guiding the pilot has been in DPSS words, "to test whether assisting the homeless GR population with a rent subsidy and coordinating access to other necessary supportive services reduces homelessness, increases employment, and/or increases receipt of Supplemental Security Income (SSI) benefits." In addition, the Program tests the extent to which

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provision of rental subsidies and case management services to GR recipients helps reduce service utilization, thereby yielding cost savings for the County.

Recipients participating in the pilot must agree to pay \$136 from their GR grant to a landlord through a direct rent process, except for shared housing situations where the grant proportion attributable to rent is \$115. In return for this commitment on the part of participants, the pilot pays up to \$300 per participant monthly in rental subsidies and provides one-time move-in assistance. Pilot participants also receive case management services from DPSS, which help facilitate access to needed services from County Departments of Health Services (DHS), Mental Health (DMH), and Public Health (DPH). The pilot is designed to assist a revolving total of 900 GR recipients at any one time, specifically focusing on three categories of recipients: Employable recipients participating in DPSS' GR Opportunities for WORK (GROW) program; recipients potentially eligible for SSI; and chronically homeless recipients. DPSS selected six County District Offices in which to implement the pilot project: District 7, South Special; District 8, Southwest Special; District 14, Civic Center; District 60, Ranch Park; District 67, Lancaster; and District 70, Metro Special.

Outcomes Evaluation and Cost Savings Analysis

The SIB's Research and Evaluation Services team's examination of the GR Housing Subsidy and Case Management Pilot Project is based on analyses of trends and results in four areas: Employment Outcomes; SSI Eligibility Outcomes; Homelessness Prevention Outcomes; and Cost Avoidance. Most findings presented in the report are based on comparisons between: groups of GR recipients who participated in the pilot between September 2006 and December 2008; and comparable control groups of GR recipients who were on GR prior to the implementation of the pilot, between March 2005 and September 2006, and therefore, could not participate in the pilot.

The Report's Key Findings: Positive Outcomes and Millions in Cost Savings

In all three tested outcome areas – employment, SSI eligibility, and homelessness prevention – GR recipients who participated in the pilot fared better than the control groups with which they were compared. Moreover, SIB deployed the same record matching methodology used in the recently completed Adult Linkages Project in order to link DPSS administrative records for GR recipients with the recipient records of service utilization from DHS, DPH, DMH, and the Sheriff. This was done for the purpose of analyzing the extent to which pilot participation offset participant service utilization and yielded cost savings. The results of this cost avoidance analysis showed that the positive outcomes pilot participation generated in the areas of employment, SSI

eligibility and homelessness prevention were achieved by means that simultaneously yielded millions in annual cost savings.

Some of the key findings presented in the report are as follows:

- Employable GR recipients participating in the pilot were almost twice as likely to find jobs as recipients in a control group of GR recipients who did not participate in the pilot;
- While 75 percent of the employed pilot participants observed for this study found their jobs during the same quarter they entered the pilot, only 50 percent of the employed GR recipients in the control group found jobs during the same quarter in which they entered GR;
- Almost half of the official decisions made on SSI applications coming from the observed group of pilot participants were approved. This approval rate was twice as high as the SSI approval rate observed in a control group of disabled GR recipients. Moreover, the number of SSI approvals in the observed group of pilot participants was five times higher than the number of approvals in the control group;
- After exiting the pilot, the extent of homelessness – measured as the percentage of time GR recipients are homeless over their tenure in the GR program – dropped from an average of 63 percent to an average of 17 percent for observed pilot participants who had prior histories of homelessness. By comparison, the average extent of homelessness for a control group of GR recipients dropped from 62 percent to 53 percent over the course of the group's observation period;
- GR recipients in a control group were 7.4 times more likely to become homeless, while in the GR program relative to observed pilot participants after they exited the pilot program;
- It is estimated that the GR rental subsidy program generates an \$11 million net reduction in the utilization of County services over two years for 900 participants; and
- For 900 disabled GR Housing Subsidy participants, the savings for the post-program year are estimated to be almost \$12 million, yielding a two-year net savings of over \$19 million based on a conservatively estimated 30 percent

Each Supervisor
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SSI approval rate. An additional ten percent increase in the SSI approval rate would yield another \$2 million in savings over two years.

The concluding section of the report provides a series of policy recommendations based on these findings.

Next Steps

DPSS has assembled a workgroup for the purpose of restructuring GR so as to make the program more effective and efficient. The workshop consists of policymakers from multiple County departments serving the GR population, as well as the County's Public Social Services Commission, welfare and homeless advocates, policy researchers and analysts, and our Office. Expansion of the GR Housing Subsidy and Case Management Pilot Project is one of the strategies the GR workgroup is currently considering in connection with the restructuring efforts.

The results of this evaluation demonstrate that the positive effects of participation in the GR Housing Subsidy and Case Management Pilot Project touch both GR recipients and DPSS as a department, and additionally extend to the other major County departments serving the GR population. The report underscores the urgency of expanding the pilot project and verifies that Countywide implementation of the pilot should be central to the GR workgroup's efforts to re-make the GR program.

If you have any questions, please contact me or your staff may contact Manuel Moreno, Director of Research for the Research and Evaluation Services unit within SIB at (213) 974-5849, or via e-mail at mmoreneo@ceo.lacounty.gov.

WTF:JW
KH:MM:am

Attachment

c: Executive Officer, Board of Supervisors
Acting County Counsel
Sheriff's Department
Interim Director, Department of Health Services
Director, Department of Mental Health
Director, Department of Public Health
Director, Department of Public Social Services

County of Los Angeles
Chief Executive Office
Service Integration Branch



**The General Relief Housing Subsidy and Case Management
Pilot Project:
An Evaluation of Participant Outcomes and Cost Savings**

Research and Evaluation Services

Manuel H. Moreno, Ph.D, Principal Investigator
Halil Toros, Ph.D, Principal Author
Max Stevens, Ph.D, Principal Author

Submitted to:
County of Los Angeles, Department of Public Social Services
Project Officer: Michael Bono

September 2009